

## Meeting Minutes

### 1. Meeting identifier

<b>Meeting Name</b>	DON Audit Committee Quarterly Meeting		
<b>Date</b>	6 May 2009	<b>Location</b>	Pentagon 4C355
<b>Start Time</b>	1100	<b>End Time</b>	1200

### 2. Objectives

Convene the DON Audit Committee for its quarterly review of efforts to improve DON's financial management information by strengthening processes and preparing for future audit.

### 3. Attendees

Name	Office
Mr. Wes McNair	Acting ASN(FM&C), Chair
Ms. Pat Adams	ASN (M&RA)
Mr. Dennis Biddick	Representing ASN (I&E)
CAPT Francis Tisak	Representing ASN(RD&A)
Mr. Charles Cook	Representing ACMC
Mr. Richard Leach	DON Auditor General
Mr. Victor Ackley	Representing VCNO
Ms. Anne Neuberger	Deputy CMO
Mr. Mark Easton	DASN (FMO)
Mr. Fred Carr	Air Force
Mr. Pat Buckley *	DFAS
Ms. Radha Sekar *	Representing OUSD(C) FIAR
Ms. Patricia Marsh *	Representing DoDIG
Mr. Carl Parker **	Representing Naval Audit Service
Mr. John Knubel **	Highly Qualified Expert, ASN (FM&C) FMO
Mr. Marc Brito **	USMC
Mr. Ron Takashima **	Representing USMC

\* Non-voting member

\*\* Invited guest

### 4. Agenda

#	Details	Responsible
1	Welcome and Opening Remarks	Mr. McNair
2	Audit Committee Update	Mr. Easton
3	Report Out from Executive Subcommittee - USMC Audit Readiness	Mr. Easton, Mr. Cook
4	Closing Remarks and Discussion	Mr. McNair



**5. Handouts (provided at the meeting and available upon request)****# Details**

- 1 Meeting Brief
- 2 USD(C) Memorandum on Statement of Budgetary Resources Audit
- 3 11 February 2009 Audit Committee Meeting Minutes
- 4 FIAR Executive Summary

**6. Meeting Minutes****# Details**

- 1 Mr. Wes McNair kicked off the meeting at 1 PM. He provided a brief introduction:
  - He emphasized transparency and accountability as a high priority. Mr. McNair acknowledged that the Department is still doing legwork in many areas; however, the USMC is closing in on completing a major milestone. Once USMC is able to get to audit the Audit Committee may convert to its more traditional role of managing the audit.
  - Mr. McNair mentioned a USD(C) draft memorandum prioritizing the Statement of Budgetary Resources and existence and completeness of weapons and property assets. He noted the approach aligns very well with the USMC approach.
  - Mr. McNair closed his opening comments by acknowledging the appointment of Mr. Mark Easton as the Deputy Chief Financial Officer (DCFO) of the Department of Defense. Mr. McNair thanked Mr. Easton for his contributions to the DON and the Audit Committee over the last five years.
- 2 Mr. Easton provided the regular Audit Committee updates:
  - Mr. Easton reviewed the contents of the Audit Committee package. He noted the Under Secretary of Defense memorandum prescribing commencement of a Statement of Budgetary Resources (SBR) audit in FY 2010. The meeting minutes from the 11 February meeting, included in the package, were approved without comment. Mr. Easton also called the Committee's attention to the Executive Summary of the OUSD(C) March Financial Improvement and Audit Readiness (FIAR) Report.
  - Mr. Easton proceeded with a review of the FY 2009 DON Financial Improvement Program objectives. He noted USMC as a key organizational effort moving towards audit. Mr. Easton also noted that Funds Receipt and Distribution was under review by Mr. McNair and would be asserted soon.
  - Mr. Easton emphasized the value of auditability. He stated the audit was a validation of proper stewardship and control over allotted funds but the real value was the improved management processes that enable the audit.
  - Mr. Easton discussed the recent brainstorming session with senior financial management leaders across DoD. The outcome of the meeting was a proposed focus of efforts on the SBR and existence and completeness of weapons and other property. Mr. Easton explained that the newly proposed priority would not have significant impact on the execution of the DON FIP as the program looked at financial improvement from a business process perspective and already considered the budgetary transactions in the process. Mr. McNair asked whether Working Capital Fund (WCF) would have the same priority. Ms. Radha Sekar stated that OUSD(C) was considering Statement of Net Cost as a priority for the WCF but specific details still needed to be ironed out.
- 3 Mr. Easton kicked off the report out by the Executive Subcommittee:
  - Mr. Easton reviewed events leading up to the current meeting. He noted particularly the completion of the OUSD(C) and DoD IG review of the validation packages in March 2009 and the USD(C) decision to proceed with an RFP in April 2009.
  - Mr. Easton detailed the position of each of the three key stakeholders (USD(C), DoD IG, and DON/USMC). He noted that acknowledgement of risk but the thought the risk would be outweighed by the benefits gained from proceeding. Mr. Easton passed the floor to Mr. Cook to continue the Executive Subcommittee review.



- Mr. Cook acknowledged the decision to go forward but stated much work was still required. Marine Corps was now diligently preparing for the audit and would be prepared for its kickoff. Mr. Cook passed the floor to Mr. Ron Takashima to review the audit expectations and risks in more detail.
  - Mr. Takashima stated the USMC was operating under the expectation that the audit is high risk based on limited control reliance and the fact it was a first time audit. USMC expected the audit to be performed using substantive procedures with large transaction sample sizes. He stated USMC has documentation to support every line item on the SBR and that reports have been added to SABRS to support the audit. Mr. Cook explained high risk was determined because, although USMC internal controls exist, they need to be proven to auditors. Mr. McNair asked if high risk meant there was a high likelihood of a “less than successful” audit because we are obliged not to proceed if we anticipate failure. Mr. Takashima explained that the term “high risk” was used in the audit context and referred to ability to rely on the consistency of controls or processes. Mr. Cook further explained that USMC was working to mitigate risk by producing multiple layers of supporting information for its transactions.
  - Mr. Marc Brito reviewed the USMC progress related to the DoD IG identified audit risks. All risks had been sufficiently mitigated through the Marine Corps efforts and more actions were underway to further improve impacted processes. Particular attention has been paid to source document retrieval. An electronic repository has been created to support the audit and over 1000 personnel have been trained in the use of the tool.
  - Mr. Brito noted the continued standardization of USMC processes, specifically noting WAWF adoption, and USMC’s emphasis on the ICOFR program under the oversight of the MCFEAT team.
  - The Committee continued with discussion on the USMC audit. Ms. Patty Marsh commended the USMC on its progress to date. Mr. Biddick asked if there had been a consideration as to how much this would cost. Mr. Easton explained that DoD IG would oversee the contract and audit and the contract was expected to be firm fixed price, which would mitigate the risk of a cost overrun.
  - Ms. Marsh was asked to provide an expected timeframe for the audit. She responded as follows:
    - DoD IG is currently reviewing the draft SOW
    - Deliver first draft of package to the contract officer- 18-25 May
    - Begin package review- 1 June
    - Prepare the solicitation at distribute the RFP- 15 June
    - RFQ would be open for 30 days
    - Commence review panel- 20 July
    - Contract award- mid-August
  - Mr. Biddick asked if an RFP for 30 days was realistic for an audit of this size. Mr. Cook explained an RFI was available to mitigate that risk. Mr. Cook also explained that the DISA audit had 75 Independent Public Accountants and USMC is expecting over 100 IPA auditors in addition to the DoD IG auditors.
  - Mr. Anne Neuberger asked if Deloitte would be able to provide a scope for the audit and expected cost. Ms. Sekar explained that the government had an independent cost estimate for the audit.
  - Ms. Adams inquired as to the role of the Committee related to the audit if DoD IG was tasked with the oversight. Ms. Marsh explained that the Committee was responsible for issue resolution related to the audit. Mr. McNair added that DON was also responsible for paying for the audit. Mr. Cook stated that DISA was having monthly Audit Committee meeting during their audit.
- 4 Mr. McNair moved to adjourn the meeting. He noted the SES reassignment announcement had gone out for the DASN(FMO) position. He congratulated USMC for its audit readiness progress to date but emphasized that the pressure remains to be successful. Meeting adjourned at 1215.

**7. Actions**

#	Details	Responsible
1	N/A	

**8. Next Meeting**

<b>Date</b>	TBD	<b>Time and Location</b>	TBD
-------------	-----	--------------------------	-----

